

Audits Division
Audit Report

AIRPORT COMMISSION:

Concession Audit of
Air France

DOCUMENTS DEPT.

NOV 30 2005

SAN FRANCISCO
PUBLIC LIBRARY

FINANCIAL AUDITS
DIVISION



November 28, 2005
05024





CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER
FINANCIAL AUDITS DIVISION

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

November 28, 2005

Audit Number 05024

Airport Commission
P.O. Box 8097
San Francisco International Airport
San Francisco, CA 94128

President and Members:

The Controller's Financial Audits Division contracted with Yano Accountancy Corporation to conduct an audit of Air France. Attached is the report prepared by Yano Accountancy Corporation concerning its review of Air France. Air France has an operating permit with the Airport Commission of the City and County of San Francisco (Commission) to use the landing field facilities at the San Francisco International Airport (SFO) for its air transportation business.

Reporting Period: January 1, 2001, through December 31, 2004

Landing Fees Paid: \$2,632,840

Results:

Yano Accountancy Corporation found that Air France erroneously reported the maximum landing weight for some of its aircraft that landed at SFO. Because of these errors, Air France underpaid its landing fees by \$16,130. Because of these underpayments, the independent auditors also found that Air France owes the Commission late fees of \$8,641 computed through October 31, 2005.

The Air France's response is attached to this report. The Controller's Financial Audits Division will be working with the Commission to monitor the status of the recommendations made in this report.

Respectfully submitted,


Noriaki Hirasuna
Director

cc: Mayor
Board of Supervisors
Civil Grand Jury
Public Library

AIR FRANCE
REPORT ON AGREED-UPON PROCEDURES
OF THE ACCURACY OF LANDING FEES

for the four years ended December 31, 2004

Nano Accountancy Corporation



Digitized by the Internet Archive
in 2016 with funding from
San Francisco Public Library

AIR FRANCE
REPORT ON AGREED-UPON PROCEDURES
OF THE ACCURACY OF REPORTED LANDING FEES
TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Report of Independent Accountants on Applying Agreed-Upon Procedures | 1 |
| Summary of Findings for the four-year period ended December 31, 2004 | 2-3 |
| Appendices | |
| Appendix A – Under-Reported Maximum Landing Weights and Landing Fees, and Related Late Fees | |
| Appendix B – Procedures Performed | |
| Appendix C – Response from Air France | |



Nano Accountancy Corporation

Litigation and Financial Consulting • Forensic Accounting
Certified Public Accountants

Report of Independent Accountants on Applying Agreed-Up-on Procedures

San Francisco Airport Commission
San Francisco International Airport
San Francisco, CA 94128

President and Members:

We have performed the procedures enumerated in Appendix B, which were agreed to by Air France and the City and County of San Francisco ("City"), solely to assist in determining the completeness and accuracy of Air France's landing fees reported to the San Francisco Airport ("Airport"), a department of the City, for the four-year period ended December 31, 2004. Air France is responsible for the completeness and accuracy of landing fees reported to the Airport. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of Air France and the City. Consequently, we make no representation regarding the sufficiency of the procedures described in Appendix B, either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on Air France's landing fees reported to the Airport for the four-year period ended December 31, 2004. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of managements of Air France and the City and County of San Francisco, and is not intended to be and should not be used by anyone other than these specified parties.



October 31, 2005

AIR FRANCE
SUMMARY OF FINDINGS
for the four-year period ended December 31, 2004

The following summarizes revenue landings reported, total maximum landing weight reported and total landing fees paid by Air France during the four-year period ended December 31, 2004:

| <u>Revenue Landings Reported</u> | <u>Total Maximum Landing Weight Reported</u> | <u>Total Landing Fees Paid</u> |
|--|--|------------------------------------|
| <u>1,479</u> | <u>736,317,758</u> | <u>\$ 2,632,840.09</u> |

We found that Air France correctly reported 1,479 revenue aircraft landings to the Airport during the four-year period ended December 31, 2004. In addition we found no differences between types of aircraft landings reported by Air France and our calculations of such landings (for example, the total number of Boeing 747-400 landings reported by Air France equaled the number of Boeing 747-400 landings that we calculated during our testing). We also found that Air France paid \$2,632,840.09

However, we found several differences between the maximum landing weights for particular aircraft as reported by Air France and the maximum landing weights that we calculated. Accordingly, we found that Air France under-reported total maximum landing weight by (4,610,850) pounds and accordingly under-paid landing fees by \$(16,129.86).

The following describes the findings, together with related under-reported net maximum landing weight and landing fees attributable to each finding.

| <u>Finding</u> | <u>Under-Reported</u> | |
|---|---------------------------------------|---------------------|
| | <u>Net Maximum Landing Weight</u> | <u>Landing Fees</u> |
| Certain Airbus A340-300 landings were reported at 410,0456 lbs./landing. Our evaluation of aircraft listing by tail number showed that these landings should have been reported at 414,465 lbs./landing. | (22,045) lbs. | \$ (84.78) |
| Boeing 777-200 landings were reported at 458,880 lbs./landing, 459,140 lbs./landing or 460,100 lbs./landing. Our evaluation of aircraft listing by tail number showed that all Boeing 777-200 landings should have been reported at 459,994 lbs./landing. | (76,806) lbs. | (304.35) |

Findings continued on the next page

See Report of Independent Accountants on Applying Agreed-Upon Procedures.

Findings, continued:

| <u>Finding</u> | <u>Under-Reported</u> | |
|---|---------------------------------------|-----------------------|
| | <u>Net Maximum Landing Weight</u> | <u>Landing Fees</u> |
| Certain Boeing 747-400 landings were reported at 583,880 lbs./landing, 584,881 lbs./landing or 585,100 lbs./landing. We tested four months during the period and found that all of these landings should have been reported at either 584,881 lbs./landing or 604,492 lbs./landing. We calculated an average of 593,950 lbs./landing. | (4,490,320) lbs. | (15,660.84) |
| Certain Boeing 747-400 landings were reported at 603,880 lbs./landing. Our evaluation of aircraft listing by tail number showed that these landings should have been reported at 604,492 lbs./landing. | (17,668) lbs. | (61.28) |
| Certain Boeing 747-400 landings were reported at 628,760 lbs./landing, 629,885 lbs./landing or 630,074 lbs./landing. Our evaluation of aircraft listing by tail number showed that these landings should have been reported at 629,855 lbs./landing. | (4,011) lbs. | (18.61) |
| Totals | <u>(4,610,850)</u> | <u>\$ (16,129.86)</u> |

Late Fees

Fees not paid on a timely basis are subject to late fees of one and a half percent per month. Late fees become payable if payments are not made within two months of the end of the month in which the landing fees are incurred. We have calculated late fees of \$(8,640.95) as of October 31, 2005.

Appendix A includes total under-reported maximum landing weight and landing fees by month for the four-year period ended December 31, 2004, and related late fees.

Accounts Receivable

As of September 30, the Airport's only outstanding accounts receivable from Air France are due in October 2005. Accordingly, we have no current evidence that any of the Airport's accounts receivable from Air France are delinquent.

See Report of Independent Accountants on Applying Agreed-Upon Procedures.

AIR FRANCE
UNDER-REPORTED NET MAXIMUM LANDING WEIGHTS
AND LANDING FEES, AND RELATED LATE FEES
January 2001-December 2004

Appendix A
Page 1

| Month | Rate/klbs. | Under-Reported | | Late Fees | |
|----------|------------|----------------------------------|--------------|----------------------|-----------------------------------|
| | | Net Maximum Landing Weight | Landing Fees | Months in Arrears | Late Fees@ 1-1/2% Per Month |
| Jan 2001 | \$ 1.985 | - | \$ - | 55 | \$ - |
| Feb 2001 | \$ 1.985 | - | - | 54 | - |
| Mar 2001 | \$ 1.985 | (45,345) | (90.01) | 53 | (71.56) |
| Apr 2001 | \$ 1.985 | (253,932) | (504.06) | 52 | (393.17) |
| May 2001 | \$ 1.985 | (235,794) | (468.05) | 51 | (358.06) |
| Jun 2001 | \$ 1.985 | (299,277) | (594.06) | 50 | (445.55) |
| Jul 2001 | \$ 3.847 | (335,553) | (1,290.87) | 49 | (948.79) |
| Aug 2001 | \$ 3.847 | (326,484) | (1,255.98) | 48 | (904.31) |
| Sep 2001 | \$ 3.847 | (244,863) | (941.99) | 47 | (664.10) |
| Oct 2001 | \$ 3.847 | (226,725) | (872.21) | 46 | (601.82) |
| Nov 2001 | \$ 3.847 | (8,818) | (33.92) | 45 | (22.90) |
| Dec 2001 | \$ 3.847 | (13,227) | (50.88) | 44 | (33.58) |
| Subtotal | | (1,990,018) | (6,102.03) | | (4,443.84) |
| Jan 2002 | \$ 3.847 | - | - | 43 | - |
| Feb 2002 | \$ 3.847 | - | - | 42 | - |
| Mar 2002 | \$ 3.847 | - | - | 41 | - |
| Apr 2002 | \$ 3.847 | (3,420) | (13.16) | 40 | (7.90) |
| May 2002 | \$ 3.847 | (110,994) | (426.99) | 39 | (249.79) |
| Jun 2002 | \$ 3.847 | (235,674) | (906.64) | 38 | (516.78) |
| Jul 2002 | \$ 3.986 | (235,794) | (939.87) | 37 | (521.63) |
| Aug 2002 | \$ 3.986 | (235,794) | (939.87) | 36 | (507.53) |
| Sep 2002 | \$ 3.986 | (208,587) | (831.43) | 35 | (436.50) |
| Oct 2002 | \$ 3.986 | (199,518) | (795.28) | 34 | (405.59) |
| Nov 2002 | \$ 3.986 | - | - | 33 | - |
| Dec 2002 | \$ 3.986 | - | - | 32 | - |
| Subtotal | | (1,229,781) | (4,853.24) | | (2,645.72) |

See Report of Independent Accountants on Applying Agreed-Upon Procedures.

Nano Accountancy Corporation

AIR FRANCE
 UNDER-REPORTED NET MAXIMUM LANDING WEIGHTS
 AND LANDING FEES, AND RELATED LATE FEES
 January 2001-December 2004

Appendix A
 Page 2

| Month | Rate/klbs. | Under-Reported | | Late Fees | |
|-------------|------------|----------------------------------|----------------|----------------------|------------------------------------|
| | | Net Maximum Landing Weight | Landing Fees | Months in Arrears | Late Fees@ 1- 1/2% Per Month |
| Jan 2003 | \$ 3.986 | - | - | 31 | - |
| Feb 2003 | \$ 3.986 | - | - | 30 | - |
| Mar 2003 | \$ 3.986 | - | - | 29 | - |
| Apr 2003 | \$ 3.986 | (2,964) | (11.81) | 28 | (4.96) |
| May 2003 | \$ 3.986 | (3,534) | (14.09) | 27 | (5.71) |
| Jun 2003 | \$ 3.986 | (119,607) | (476.75) | 26 | (185.93) |
| Jul 2003 | \$ 3.930 | (253,932) | (997.95) | 25 | (374.23) |
| Aug 2003 | \$ 3.930 | (217,656) | (855.39) | 24 | (307.94) |
| Sep 2003 | \$ 3.930 | (199,746) | (785.00) | 23 | (270.83) |
| Oct 2003 | \$ 3.930 | (2,850) | (11.20) | 22 | (3.70) |
| Nov 2003 | \$ 3.930 | - | - | 21 | - |
| Dec 2003 | \$ 3.930 | - | - | 20 | - |
| Subtotal | | (800,289) | (3,152.19) | | (1,153.30) |
| Jan 2004 | \$ 3.930 | - | - | 19 | - |
| Feb 2004 | \$ 3.930 | - | - | 18 | - |
| Mar 2004 | \$ 3.930 | (342) | (1.34) | 17 | (0.34) |
| Apr 2004 | \$ 3.930 | (25,620) | (100.69) | 16 | (24.17) |
| May 2004 | \$ 3.930 | (26,474) | (104.04) | 15 | (23.41) |
| Jun 2004 | \$ 3.930 | (120,302) | (472.79) | 14 | (99.29) |
| Jul 2004 | \$ 3.214 | (205,973) | (662.00) | 13 | (129.09) |
| Aug 2004 | \$ 3.214 | (190,419) | (612.01) | 12 | (110.16) |
| Sep 2004 | \$ 3.214 | (24,812) | (79.75) | 11 | (13.16) |
| Oct 2004 | \$ 3.214 | 3,180 | 10.22 | 10 | 1.53 |
| Nov 2004 | \$ 3.214 | - | - | 9 | - |
| Dec 2004 | \$ 3.214 | - | - | 8 | - |
| Subtotal | | (590,762) | (2,022.40) | | (398.09) |
| Grand total | | (4,610,850) | \$ (16,129.86) | | \$ (8,640.95) |

See Report of Independent Accountants on Applying Agreed-Upon Procedures.

Nano Accountancy Corporation

PLANNING

- Conducted an entrance conference with a representative of the airline to explain the general nature of the work to be performed.

SUMMARIZATION OF MONTHLY INFORMATION

- Obtained the San Francisco International Airport ("Airport") *Landing Report, Landing Weight Report, Landing Fee Report*, and fee rates in effect for each fiscal year during the audit period.
- Entered the monthly landing weights into a computer spreadsheet and generated a bar graph of year-to-year comparisons for each month of the year.
- Analyzed the bar graph to identify any unusual variations.
- Summarized fees paid by the airline to the Airport by fiscal year.
- Obtained *MATAR* reports from the Airport's Accounting Department for each month in the audit period.
- Calculated total landings from the *MATAR* report by fiscal year.
- Compared the calculated total landings from the preceding procedure to the total landings calculated by the Airport in its Landing Reports.
- Obtained copies of the:
 - Aircraft operations manual pages from the airline that shows the maximum landing weights for all aircraft types landed by the airline during each of the sample months previously selected.
 - Obtained a listing of aircraft tail numbers that landed at the Airport and the corresponding aircraft types.
- Verified, on a test basis, maximum landing weights for particular aircraft to the applicable aircraft operations manual pages.
- Verified the reasonableness of these maximum landing weights by reference to maximum landing weights of similar aircraft reported by other airlines in the Airport's Landing Reports.
- Converted the maximum landing weights from kilograms to pounds, and compared these converted landing weights to the landing weights included in the Airport's Landing Reports.
- Obtained summaries of landings for each month during the audit period, and compared total landings in these summaries to totals reported in the *MATAR* reports.
- Identified those months in which total landings were less than the number of calendar days, and inspected the airport's diary for evidence that flights had been canceled.

- Compared the maximum landing weights of each aircraft type from the aircraft operations manual pages to the maximum landing weights reported on the MATARs, and identified any differences.
- Calculated differences in reported versus total actual maximum landing weights due to differences between actual and reported maximum landing weights for specific aircraft.

TESTING OF MONTHLY REPORTS

- Selected, using a random number generator, one month from each calendar year during the audit period.
- Obtained the daily flight logs for the selected sample months, recalculated total landings by aircraft type, and compared the totals by aircraft type to the Airport's Landing Reports.
- Calculated differences in total landing weights due to differences in reported landing weights for specific aircraft versus actual maximum landing weights for these aircraft.
- Extrapolated the results of these differences to all months during the four-year period ended December 31, 2004.

PREPARATION OF THE REPORT

- Summarized the findings that resulted from the above agreed-upon procedures, including the calculation of under-reported maximum landing weights and landing fees.
- Calculated late fees on under-reported landing fees at 1½% per month, starting two months after the end of the month in which landing fees were under-reported.
- Prepared the draft report.
- Provided the draft report to the City's Audits Division, Airport and airline for comments.
- Received the response to the draft report from the airline.
- Prepared the final report.



November 3, 2005

Mr Eugene Yano
Yano Accountancy Corporation
201, California Street
San Francisco, Ca

Our Ref:G02D/2106/SFOKK

Re Audit.

Dear Mr Yano,

I acknowledge receipt of your draft report pertaining to the audit which you performed recently on Air France activities. As we do not have the material time to go over every single landing, aircraft used, weight etc ... we will not contest your findings due to the fact that the reports submitted to the airport were done in good faith.

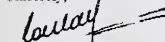
As you mentioned, Air France correctly reported all landings during the 4 year period ended Dec 31 2004. Yet, during the audit, it became apparent to us that, due to the complexity of our fleet, some aircrafts of the same type (ex: B747/400 and A340/300) had different landing weights. We took immediate action, the same day of your audit, to correct anomalies and amended MATARS were submitted to the airport accounting.

The fact remains that our agent who was submitting those landed weights to the airport did not realize that there were different landing weights for one same type of aircraft. Maybe a closer verification of the document submitted to the airport would have avoided such an anomaly.

No doubt the airport commission will be in touch with us regarding your findings and hopefully we will be able to clear the air.

We thank you for being patient concerning my reply. I have been in and out of SFO since early September and I know that you have been expecting my reply to forward your final report. Thank you for your comprehension.

Sincerely,


J.P. Bouffoux

